

## Frequently-Asked Questions about the New Department of Administrative Services

The proposed new Department of Administrative Services (DAS) is more than just a routine reshuffling of the deck—it is a fundamental change in the way the internal agencies of state government do business. Today, a state government agency selling services to other internal agencies operates like an unregulated monopoly in many ways. By design, the seller has little incentive to meet the customer's needs. The customer has little choice of vendors and little input into what the seller offers. Both seller and customer agencies have limited information about their costs of doing business.

Under the new structure, seller agencies will focus on meeting the needs of the customer in a competitive marketplace. Customer agencies will have ongoing input on cost, quality and quantity of what they buy. Both customer and seller agencies will be more accountable for good management decisions.

1. **Why did Governor Vilsack propose the idea to consolidate multiple state agencies into a single Department of Administrative Services?** The Governor has proposed these changes in order to (1) Streamline government services; (2) Improve services to customers; and (3) Enhance resource flexibility; and (4) Save money.
2. **What types of changes have been suggested?** Two basic types of change are on the drawing board: (1) A consolidation of the Department of General Services, the Iowa Department of Personnel, the Iowa Communications Network (ICN), the Information Technology Department (ITD) and the accounting function from the Department of Revenue and Finance into a single Department of Administrative Services or DAS. (The functions to be merged include human resources, physical resources, information technology and financial administration.) (2) Within the DAS, implementation of a new business approach known as entrepreneurial management.
3. **What is “entrepreneurial management”?** In the Iowa state government context, entrepreneurial management is a *customer-focused* approach to delivering services in a *competitive marketplace*, where business decisions are motivated by the desire to meet customer needs and by rewards or consequences for financial performance.
4. **Why be “customer focused?”** Increasing recognition of the customer's importance is a growing trend in both public and private sectors of today's economy. Successful and profitable enterprises are the ones that develop products or services that best meet customers' needs. A few of the products redesigned to better meet emerging customer needs include safer cars that get better gas mileage, cell phones, and more ready-to-eat foods at the grocery store.

Inside state government, we want to make customers the drivers for the products and services they use, empowering them to choose the products and services that best meet their needs. Doing that enables our customers to better serve their customers—the citizens of Iowa.

5. **How would state government change?** State government services would be divided into three categories according to the type of service. Services like printing, for which customers will have a choice of vendors inside or outside state government, will be set up as *marketplace services*. Services like e-mail (where it makes sense to have a single supplier for everyone) will be set up and referred to as *utilities*. Policy and regulation development for these areas will be separated into a division called *leadership*.

*Customer councils* would be established to provide leadership and formal input into the operation and management of marketplace services. Once the transition has been made, the *Legislature's oversight role* would be to evaluate planning goals and financial results, leaving enterprise managers free to listen to their customers and make business decisions that best meet their customers' needs.

6. **How would the new structure improve agencies' accountability for financial decisions?** Today, the complexity of budgeting, appropriations, and other financing makes accountability difficult. Internal agency budgets do not always show the costs of the services they receive from other state government agencies. This expense is often not used in budgeting, and may not even be known. With the new structure, internal customers will have a simpler budgeting and appropriation process. Internal sellers will complete business plans, estimating their revenue and expenses from budgeted transactions. Internal customers will have a voice in setting prices and will have the flexibility to shop for the best value for their money.
7. **How will the new system address inequitable billing and federal funding problems?** Because the current structure does not "bill" internal customers for certain services and some cross-subsidization occurs, those agencies have no incentive to use only the amount of services needed. Developers of the new structure are working to develop a more equitable plan.
8. **Why streamline?** We can improve efficiency and quality of service in areas where there are multiple service sellers within state government. Today there are six architectural services and contracting and construction oversight operations, four mail authorities, five fleet and fleet management operations, five printing authorities and ten purchasing authorities within state government.
9. **How can services to customers be improved?** Many internal support services in state government do business as unregulated monopolies. Their "customer" agencies have very little say over cost, quality, or timeliness although they are required to buy the services from the internal sellers. The new approach—entrepreneurial management—will, when implemented, give internal customers more control over where they buy and what they buy. Internal support service sellers will have to attract and retain customers in order to be successful.
10. **How will the new system give managers more flexibility in how they use resources?** Today agencies are restricted to doing business one way with rigid controls over staffing and funds. With the new system, business units will be able to use their staff and financial resources in the way that best meets the needs of their customers.
11. **How will this change save money?** Significant cost savings are part of the rationale for the type of change Governor Vilsack has proposed for two reasons: (1) Giving internal agencies more control over their consumption patterns and vendor selection makes them more cost conscious; and (2) Competition motivates service agencies to lower their costs and improve services. In Iowa's case, however, a budget shortfall has already resulted in mandated spending far greater than the first-year savings typically generated by such a change.
12. **How many employees are involved?** The following chart recaps filled full-time equivalent (FTE) positions in included agencies.

DEPARTMENT	FY' 00	FY '01	FY '02	FY '03
General Services	342	219	174	166
Information Technology	In General Services	136	113	112
ICN	98	100	102	101
Personnel	162	154	148	147
Revenue and Finance, state accounting	31	31	25	24
TOTAL	633	640	562	550

13. **Who will run the new department?** If the proposal to streamline state agencies is approved, Governor Vilsack intends to nominate Mollie Anderson, current director of the Iowa Department of Personnel, to head the new department. Anderson's appointment requires Senate confirmation.
14. **How would the new agency look?** A sample organizational is attached.
15. **What changes must be made to implement the DAS approach?** Work is currently underway to spell out the required statutory changes, develop a budget and restructure the financing approach, and design an organizational chart and time line.
16. **How will the transition be implemented?** A plan for implementing the DAS is being developed by a multi-department task force. Participants in the process include interim directors, staff, and customers of the affected agencies.
17. **What is the implementation schedule for the new DAS?** By July 1, we expect organization decisions will be made to spell out:
- Values, mission, vision, and identity
  - A separation of policy and standards functions from providing services
  - Leadership, marketplace and utility divisions categorized
  - Needed staff skills defined
  - Customer councils planned

Legislation will be passed to authorize a new approach to financing and oversight that allows for:

- Working capital
- Revolving fund structure
- Full accrual accounting
- FTE flexibility

Other changes by July 1 are expected to include

- Unions on board
- DAS business plans underway
- Rates and billing structure established
- Customer satisfaction measures defined
- Roles of ICN and ITD defined to protect ICN's common carrier status

**Where can you get more information?** The legislative liaison for the Department of Personnel is Daryl Frey, (515) 281-4742. Email [Daryl.Frey@iowa.gov](mailto:Daryl.Frey@iowa.gov).